

Citizen Budget Committee

City of Goodyear
January 13, 2010



Agenda



- Welcome & introductions
- Purpose of the committee
- Role of council, committee, facilitator, staff
- Housekeeping
- Process
- Goodyear budget process & calendar
- Organization chart
- Operating budget process overview
- Open discussion, clarification, agreements, etc.

City Council Resolution



The purpose of the Citizen's Budget Committee is:

- To become informed about City services, programs and funding;
- To provide input on services and program priorities and identify potential cost savings;
- To identify new revenue sources;
- To make recommendations to City Council.

Source: City Council Resolution 09-1347

Roles



- City Council... the client for this effort and the ultimate decision-maker for the City Budget
- Committee... as chartered by City Council to advise them
- Facilitator... a supportive consultant to the City Council and the Committee
- City Staff... professional topic experts to inform and respond as needed to support the Committee
- Public... while the public is welcome to attend, there is no public input opportunity during the Committee meetings

Oath of Office



Lynn Mulhall, City Clerk
City of Goodyear

Open Meeting Law



Lynn Mulhall, City Clerk
Roric Massey, City Attorney

Process



- Information shared to support the Committee
- Committee questions and requests
- Committee discussions & note taking
- Six weekly 2-3 hour meetings
- Requests for additional information between
- General discussions...personal recommendations
- Report to CC will reflect all recommendations and collective agreement

Schedule



- Jan. – Feb Information /Departments
- Feb. Committee discussion for final clarification of outstanding items, Q&A regarding final report and completion of final recommendations
- Feb/Mar Presentation of final report draft for discussion
- Mar Present to City Council as directed

Ground Rules



- Everyone participates
- Respect different viewpoints
- Silence is agreement
- Share air time fairly
- Limit side conversations
- All treated the same
- Start on time; end on time
- Each serve as an individual
- Anything else?

Budget & Organizational Overview



John F. Fischbach
City Manager
City of Goodyear

Setting Budget Priorities



Budget priorities are set by City Council based on

- Community Needs
- Government Needs
- Financial Resources
- Sustainability

“Conservancy” is a key principle that we use throughout the budget process

FY 2010/11 Budget Schedule



- October 19 Work Session – Financial Forecast Review
- December 14 Appoint Citizen's Budget Committee (CBC)
- January 11 Work Session - Financial Update
- January – March CBC Meetings (Initial report in March)
- February – March Executive Mgmt Budget Review
- March Work Session – Present CBC Recommendations
- March Work Session – Revenue & Expenditures
- April Work Session - Present Draft Budget
- May Adopt Tentative FY 11 Budget
- June Adopt Final FY 11 Budget
- July Adopt Tax Levy

Comparing Strategy in Private and Public-Sector Organizations



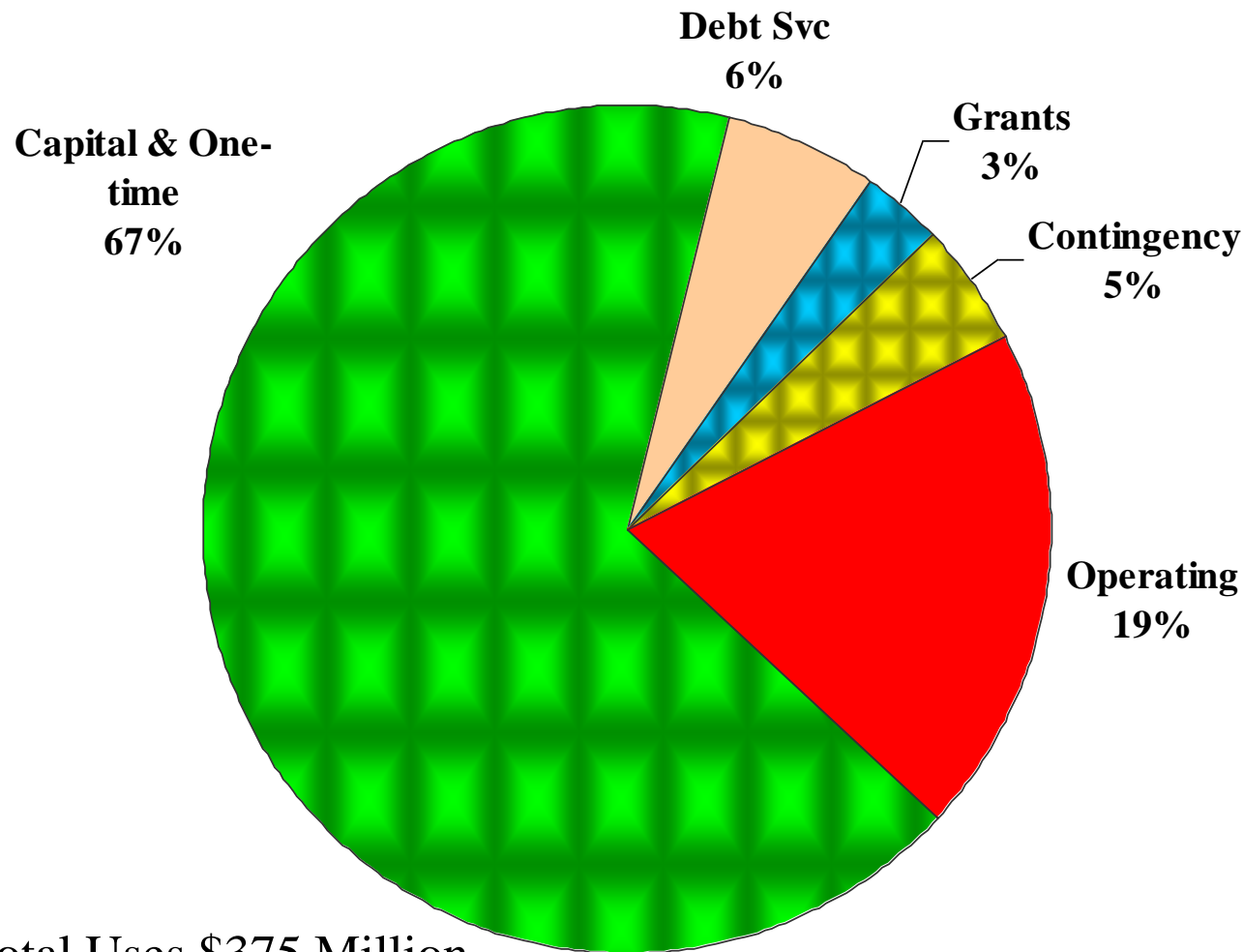
<u>Strategic Feature</u>	<u>Private Sector</u>	<u>Public Sector</u>
▪ Strategic Goal	▪ competitiveness	▪ mission effectiveness
▪ Financial Goals	▪ profit; growth; market share	▪ balanced budget; efficiency
▪ Values	▪ innovation; creativity; good will; brand recognition	▪ accountability to public; integrity; fairness; creativity; innovation
▪ Desired Outcome	▪ customer satisfaction	▪ customer satisfaction
▪ Stakeholders	▪ stockholders; owners; users	▪ residents; businesses
▪ Budget Defined by:	▪ customer market demand	▪ leadership; customer needs
▪ Decision making	▪ private process	▪ public process played out in media
▪ Key Success Factors	✓ growth rate; earnings; market share ✓ uniqueness ✓ advanced technology	✓ best management practices; economies of scale ✓ commonalities with other cities ✓ standardized technology

Budget Cycle



- Goodyear uses:
 - One-year budget cycles
 - Money not spent at end of year goes back to City and is not carried over to the next year
 - Fiscal-Year budget cycle
- Fiscal vs. Calendar Year
 - Calendar year budgets run January through December
 - Most private sector companies
 - Fiscal year budgets start and end mid-year
 - Begin July 1 and end the next June 30th
 - Cities usually budget on a FISCAL year

FY 09/10 Total Budget – Where the money goes...

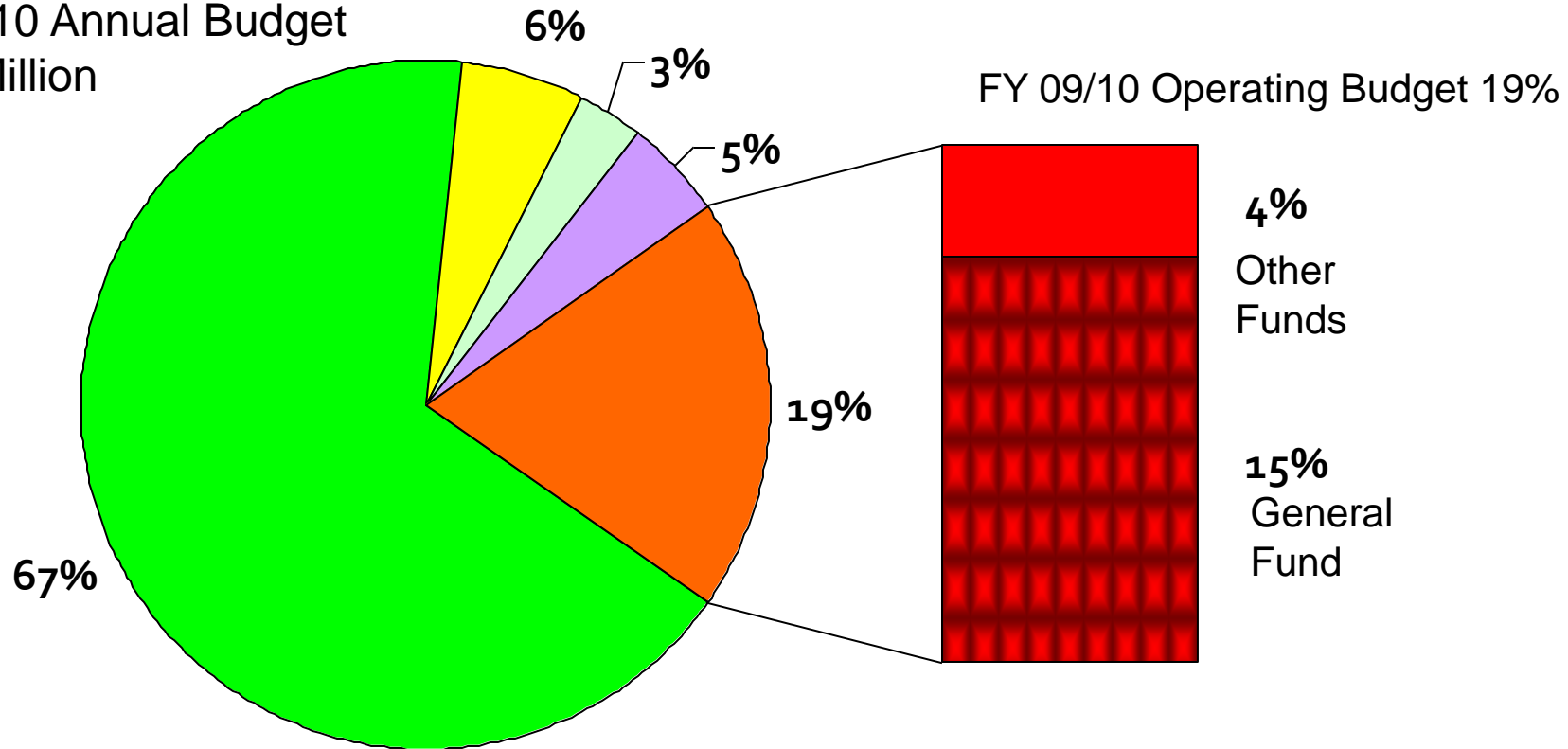


FY 10 Total Uses \$375 Million

Where the money goes...



FY 09/10 Annual Budget
\$375 Million



Capital & One-time

Debt Svc

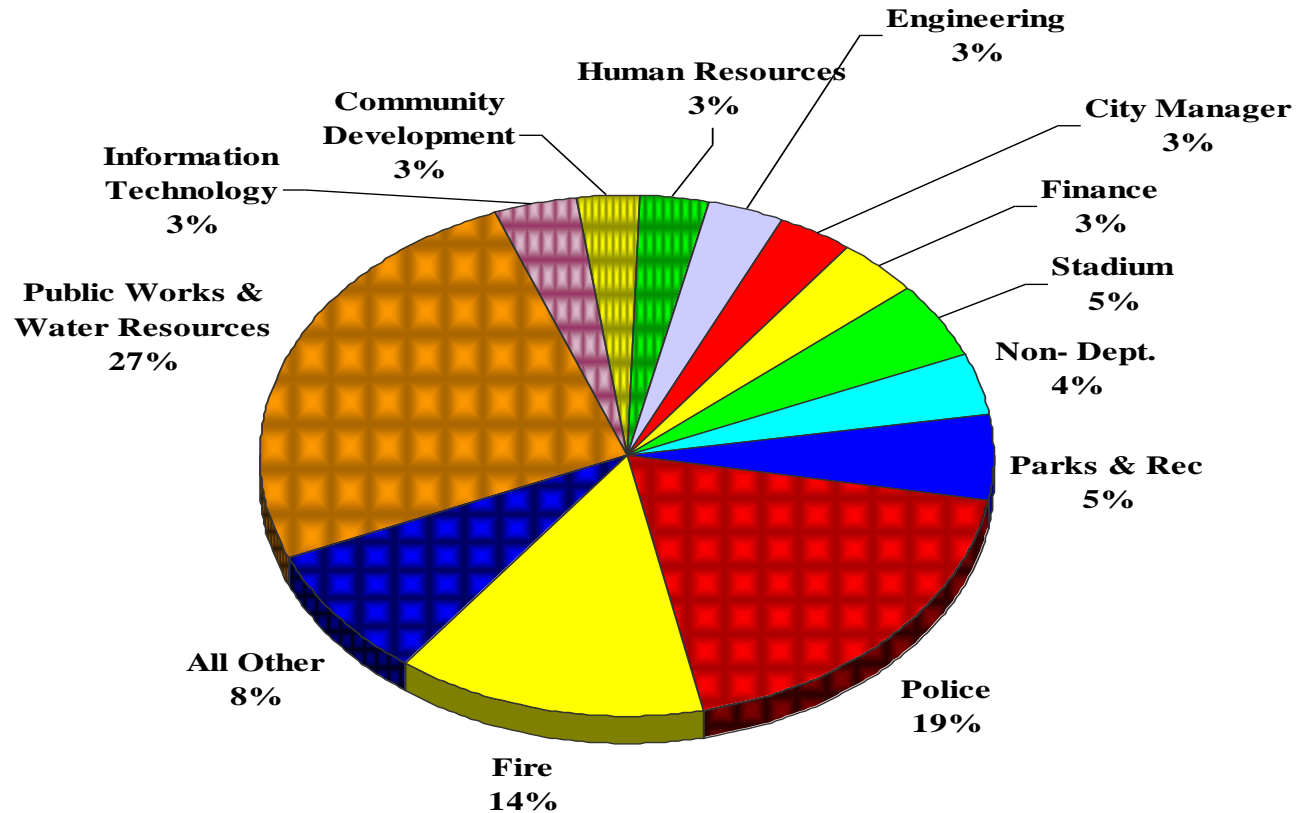
Grants

Contingency

Operating Other Funds

Op General Fund

FY 09/10 Operating Expenditures by Department



Total Operating Expenditures \$73 Million

Capital Improvements and One-time Funds



CAPITAL IMPROVEMENTS

- The “bricks and mortar” of the city
 - Infrastructure, buildings, equipment
- Generally items costing more than \$50,000
- Capital Improvement projects involve long-term planning
- Are prioritized over a 5-year period and can last for several years
- Funded through:
 - Impact fees
 - Bonds
 - Grants
 - General fund
- They are **one-time** projects funded with **one-time money**

On-Going vs. One-Time Money



■ ON-GOING MONIES

- Property taxes – collected every year on each house, building or piece of land
- User fees paid monthly such as for water and sewer and trash services
- State-shared tax revenues collected monthly from highway funds, etc.
- Excise sales tax – collected monthly for goods purchased in Goodyear at stores/restaurants

■ ONE-TIME MONIES

- Impact Fees from developers – fee collected only once on house or building to help pay for growth
- Construction Sales Tax – collected only once on each house/building
- Bond proceeds borrowed for debt
- Non-budgeted surplus balance at end of budget year due to higher revenues or cost savings
- Grants – money only comes in for a certain period and then stops
- “Rainy Day” funds set aside for emergencies – can be used only for one-time purposes

. Ongoing vs. One-Time Costs



- Capital expenditures to build a building or buy a telephone system are **one-time** costs
 - Primarily funded with **one-time** money (ie: impact fees or bonds)
- Operating and maintenance costs of those new buildings or phone systems are **on-going** year after year
 - Must be funded with **on-going** money (ie: sales taxes)
- Our policy is to fund one-time costs with one-time money and on-going costs with on-going money
 - We make every effort **NOT** to pay on-going costs with one-time money because one-time monies are not sustainable
 - Sustainability is key to good budgeting

Grants and Debt Service



- Grants – 3% of budget
 - Special revenue source from grantor for one-time projects or specific activities
 - Federal government
 - Foundations
- Debt Service – 6% of budget
 - Repayment of bonds sold to fund one-time capital expenditures
 - Uses property tax as one source of revenue

Use of Property Taxes



- Property tax in Goodyear is capped at \$1.60/\$100 worth of assessed value of property
- It is divided into Primary and Secondary taxes
 - Primary property tax
 - Can be used for ongoing costs to operate the city
 - Secondary property tax
 - Restricted to debt payments on voter authorized bonds

Contingency (“Rainy Day”)

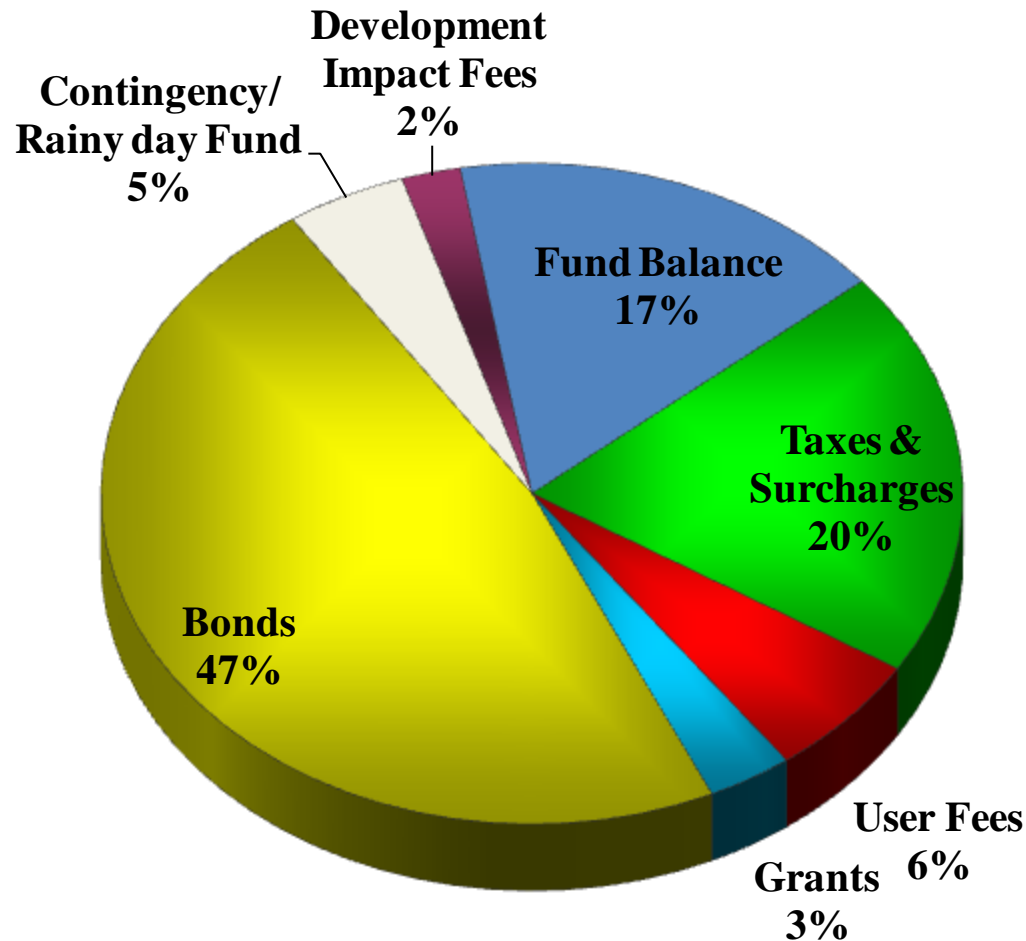


- This fund is set aside for one-time unforeseen or unplanned expenditures or emergencies
- Can be carried over year after year.
- Totally controlled by City Council
- Based on policy guidelines in City Charter
 - Amount in fund should be equal to 4 months of operating expenditures per City Charter
 - Guideline serves as a “check” to make sure we maintain an appropriate amount in the contingency fund
 - ***It's tied to the amount of the budget each year so that we don't have too little in the fund or that we don't build it up too much***

FY 09/10 Total Budget - Where the Money Comes From



Total Budgeted Revenue \$375 Million



What is Fund Balance?

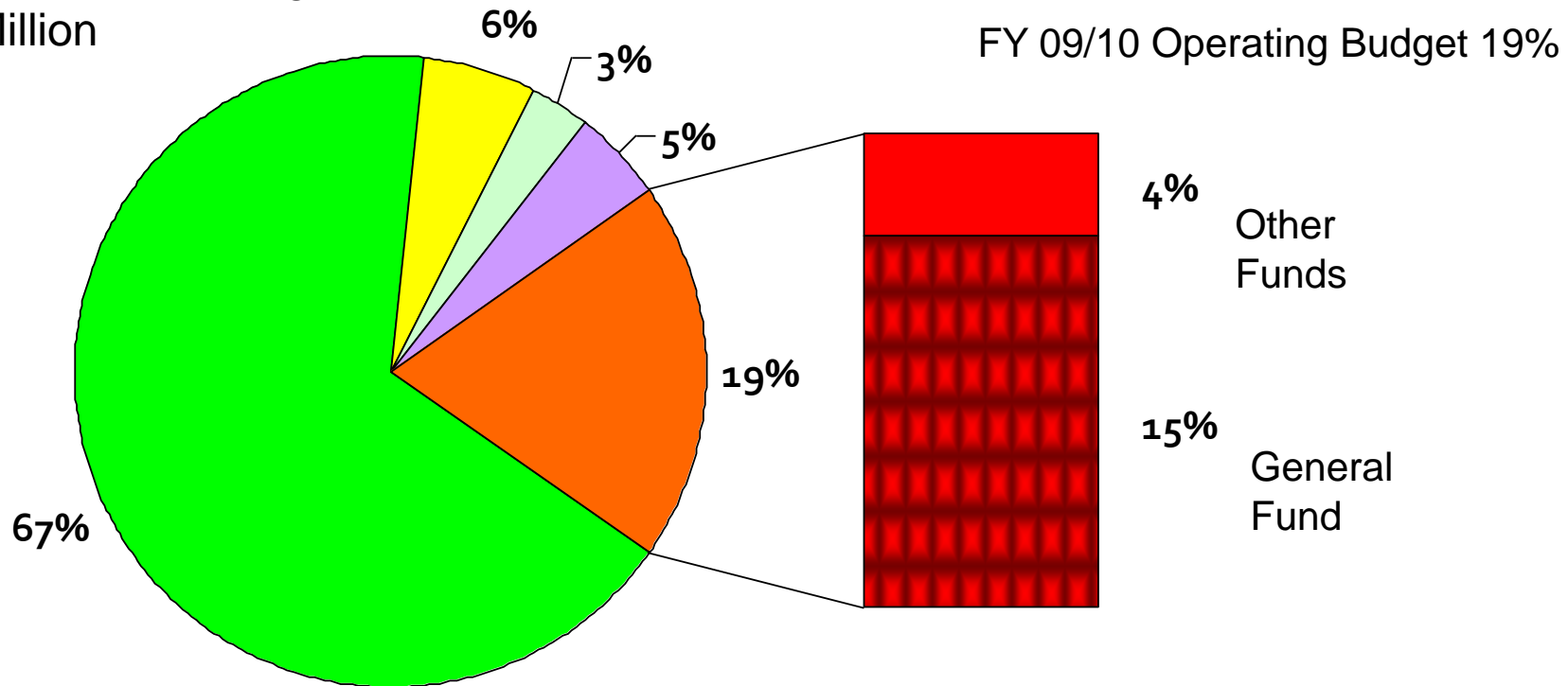


- We are required by law to have a balanced budget at the end of each year
 - Not like the Feds who can go into debt
- Since we do not care about profit, we strive for breakeven in our fund balance – we want to spend what we take in
- Extra funds above breakeven in the budgeted fund balance could come from higher than anticipated revenues and/or cost savings during the year
- These “surplus” funds can be used for **one-time expenses**:
 - Replenishing equipment replacement funds
 - Increasing the contingency above the 4-month mark
 - Council decides whether to allocate (e.g. – Priority Projects)

Where the money goes...



FY 09/10 Annual Budget
\$375 Million



Capital & One-time

Debt Svc

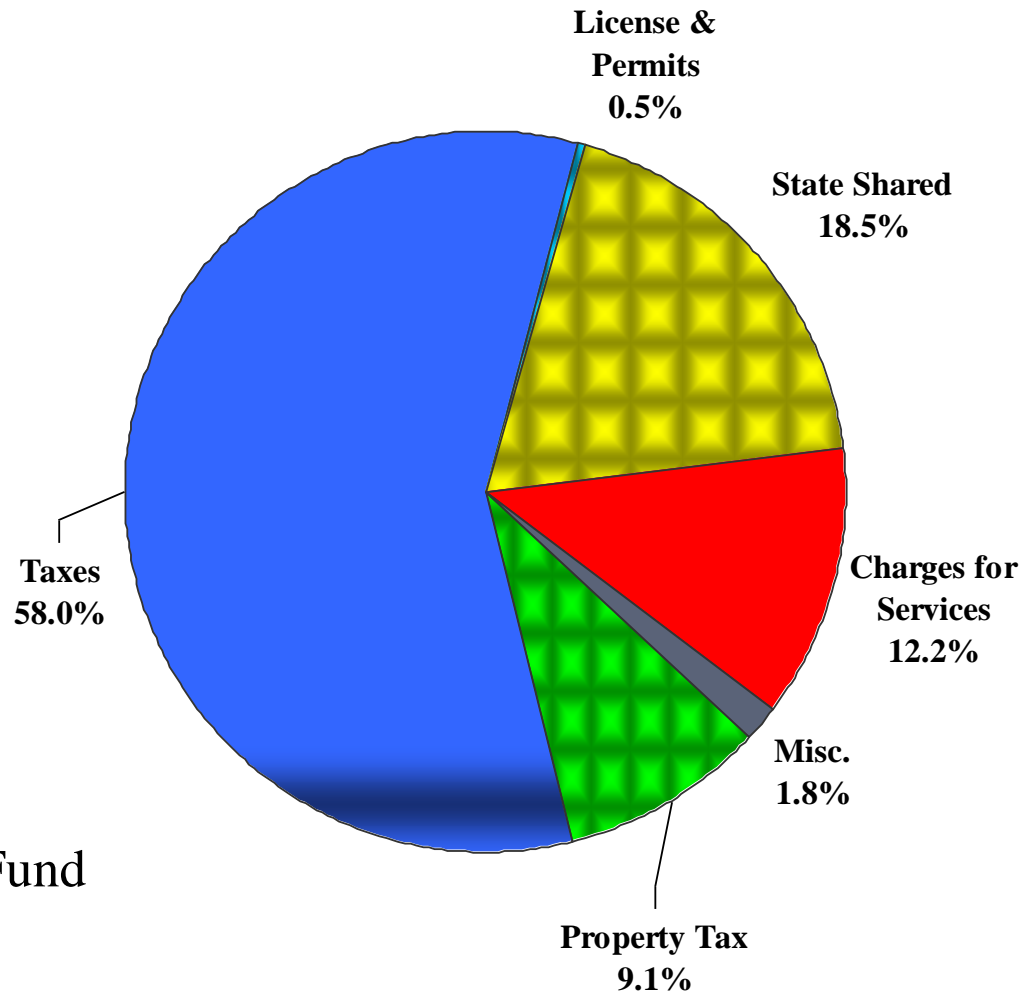
Grants

Contingency

Operating Other Funds

Op General Fund

General Fund Operating Budget Revenue Sources



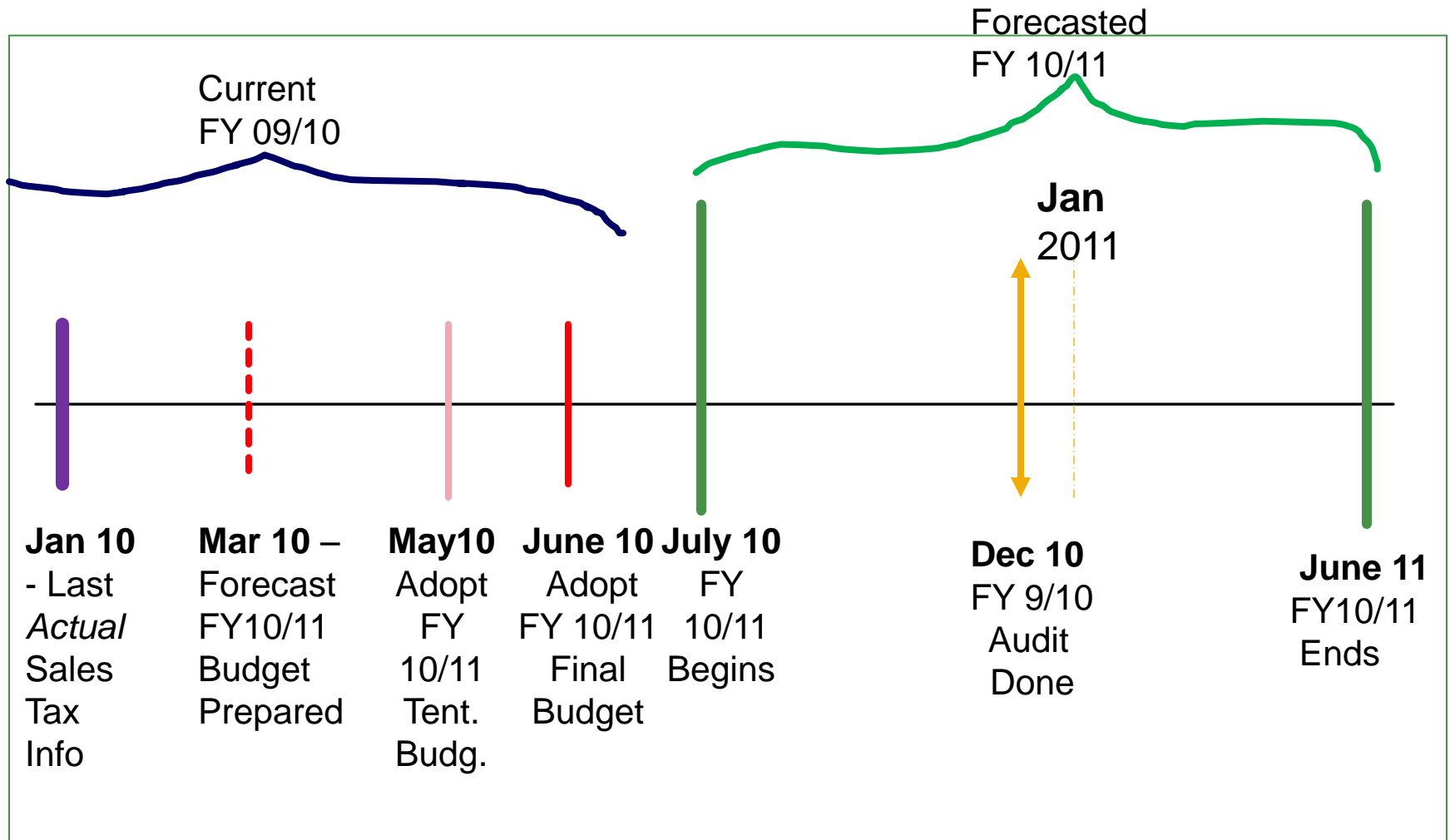
FY 10 Total General Fund
Revenue \$60m

Developing the Annual Budget



- Starts with Mid-Year Financial Forecast
- Current Year Estimates
- Revenue Projections
- Available Funding – One-time & Ongoing

Budget Forecasting Timeline



Budget Factors



- Council / Community Priorities
- Economy
- Growth
- Mandates
- Operating Costs of Capital Improvements

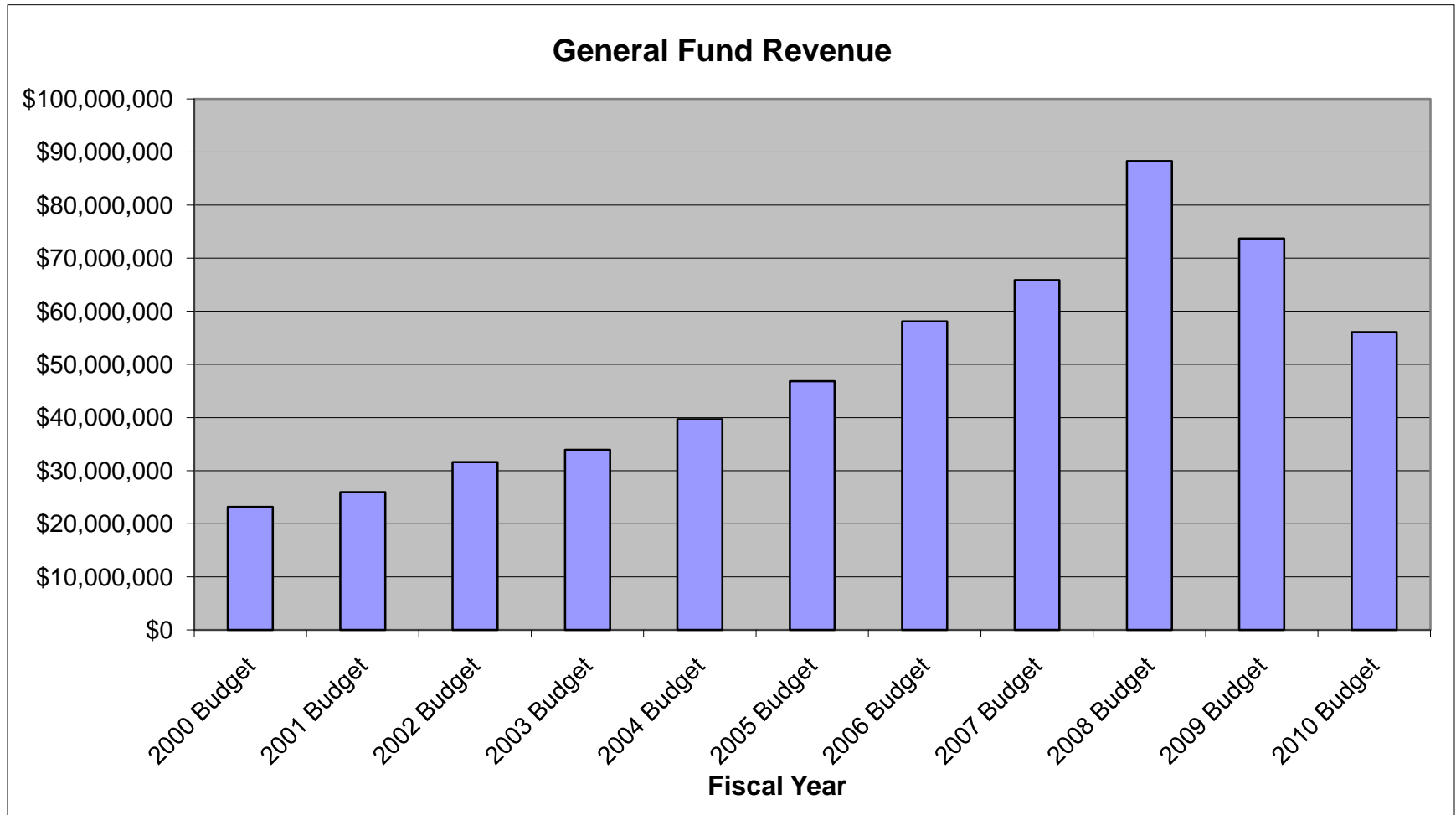
FY 2010/2011 Operating Budget



Background & History

Unprecedented Economic Climate

Revenues Significantly Reduced



The Nature of Sales Taxes



- Cyclical and volatile in nature
- Several major components tend to cycle together
 - Auto sales
 - Construction
 - Building related sectors
- Few stabilizing sectors
 - Bar and restaurant
 - Grocery stores

FY 09/10 Revenues & Expenditures - Projected General Fund Budget Shortfall



Total Sources General Fund	\$60.3m
Total Uses General Fund	\$73.1m
 Projected Shortfall	 (\$12.8m)
 Added Expenditures	 \$ 1.1m
 Total to Balance General Fund Budget	 (\$13.9m)

How did we get Here?

- Sonoran Valley
- Spring Training
- Economy weakened

Total Reductions Over 3 Years – \$15.9 million



FY 07/08 Operating Budget Reductions	\$3.6m
FY 08/09 Operating Budget Reductions	\$3.0m
FY 09/10 Operating Budget Reductions	\$6.8m
<i>Mid-year Budget Reductions/salary savings</i>	<i>\$1.5m</i>
<i>Savings on Reds Complex costs</i>	<i>\$1.0m</i>
Total 3-year budget reductions	\$15.9m

FY 09/10 General Fund Budget Strategies



3-STEP APPROACH TO A BALANCED BUDGET

Total needed to balance = \$13.9 million

- Step 1 – Reduced expenditures - \$6.8 million

- Step 2 – Adoption of Revenue

Enhancement Measures - \$4.0 million

- Step 3 – Use of reserves - \$3.1 million

FY 09/10 Budget



Step 1 – REDUCE EXPENDITURES

Budget Areas Reduced

79 positions frozen or laid off

30% Development Services

16% General Government

15% Public Works (Admin. & Facilities)

14% Parks & Recreation, Community Services

8% Public Safety & Municipal Courts

Increase in General Sales Tax Rate Estimated Household Impact



Sales Tax Increase of 0.5%:

- Est. \$72.26 per person/citizen
- Est. \$202 per household/year

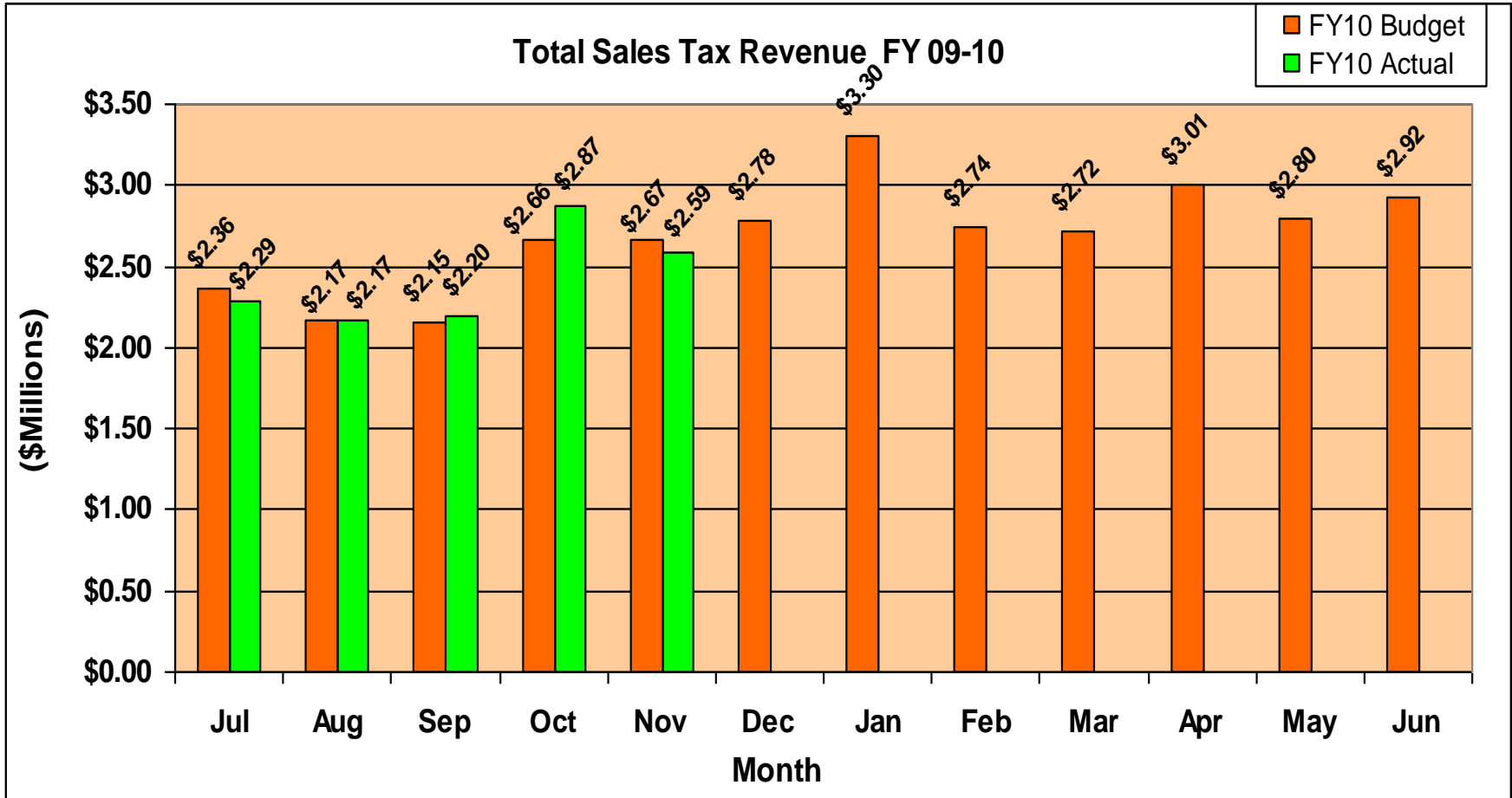


FY 2009/10

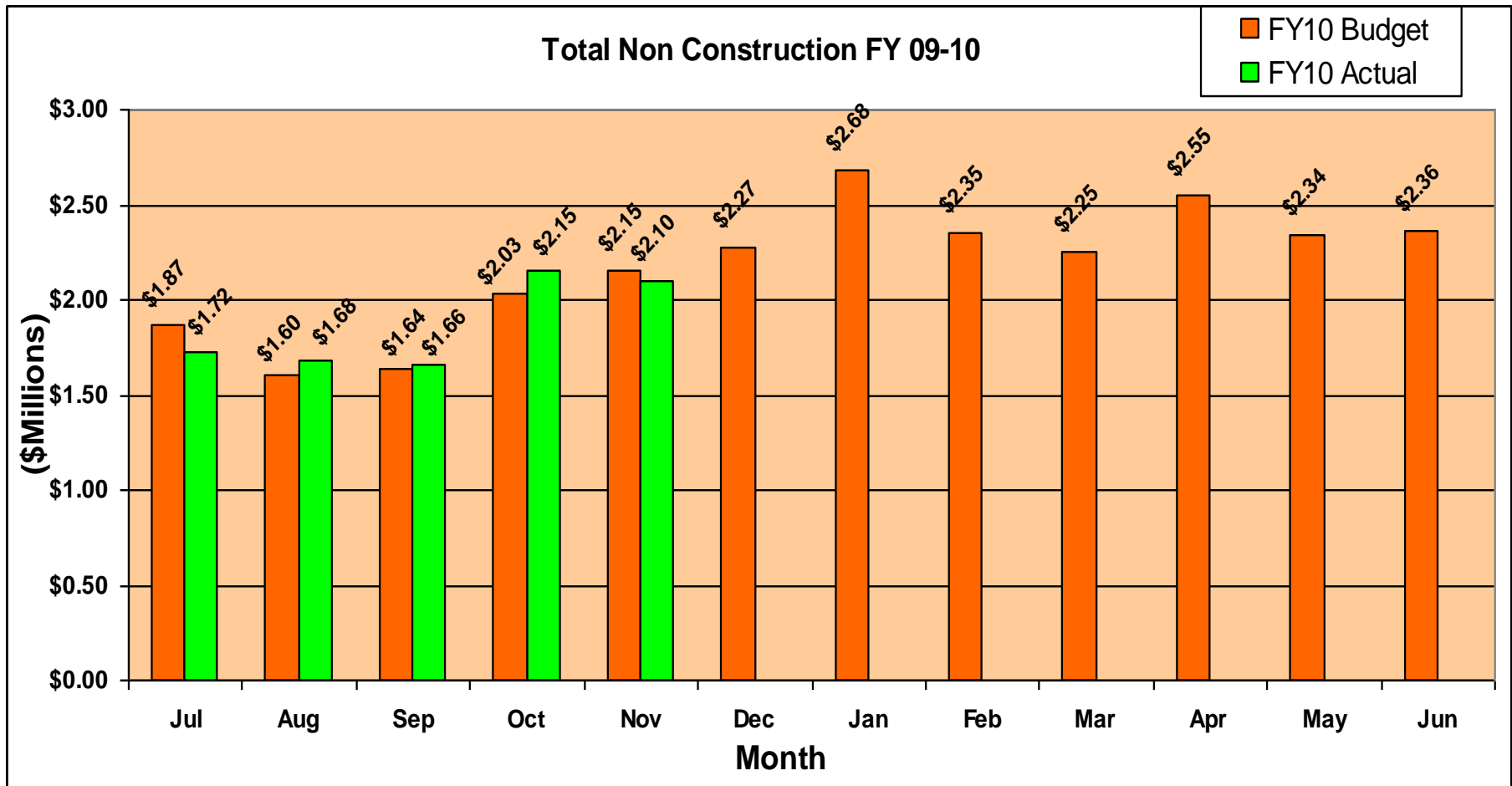


How are we tracking versus budget?

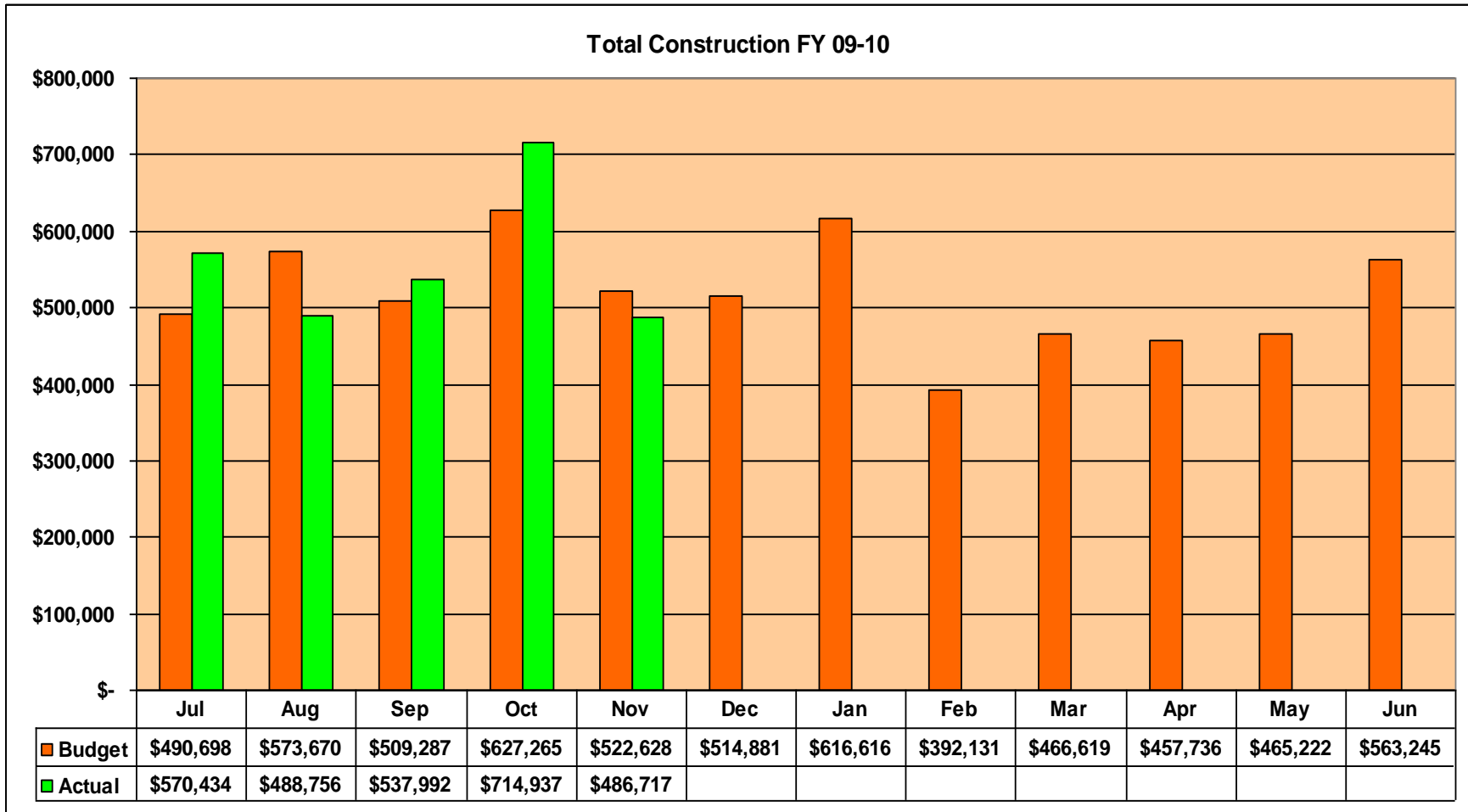
FY 2010 Total Sales Tax Revenue Budget vs Actual



FY 2010 Total Non-Construction Sales Tax Budget vs Actual



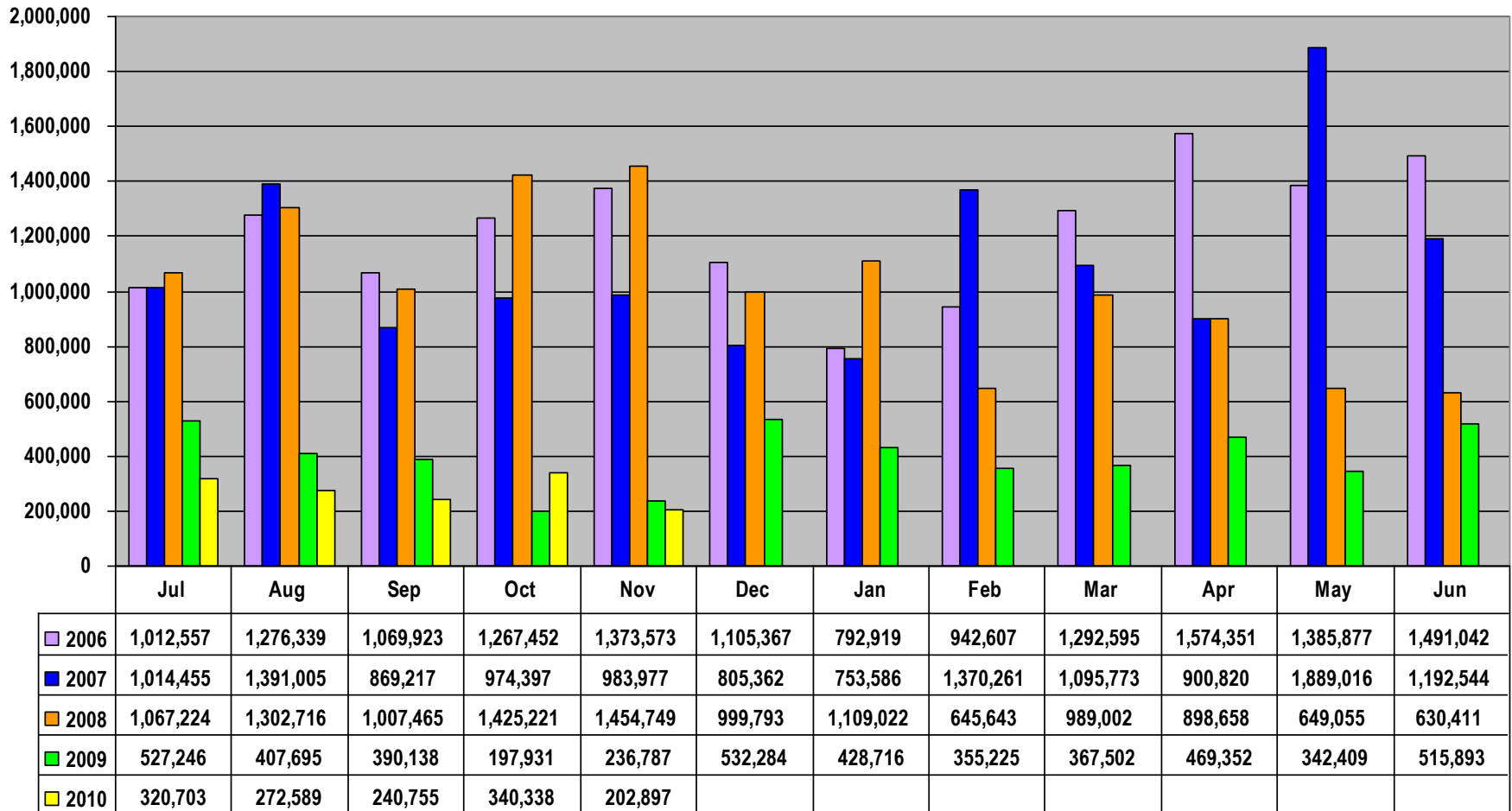
FY 2010 Total Construction Sales Tax Budget vs Actual



Total Permit & Plan Review Revenue FY 2006 - 2010

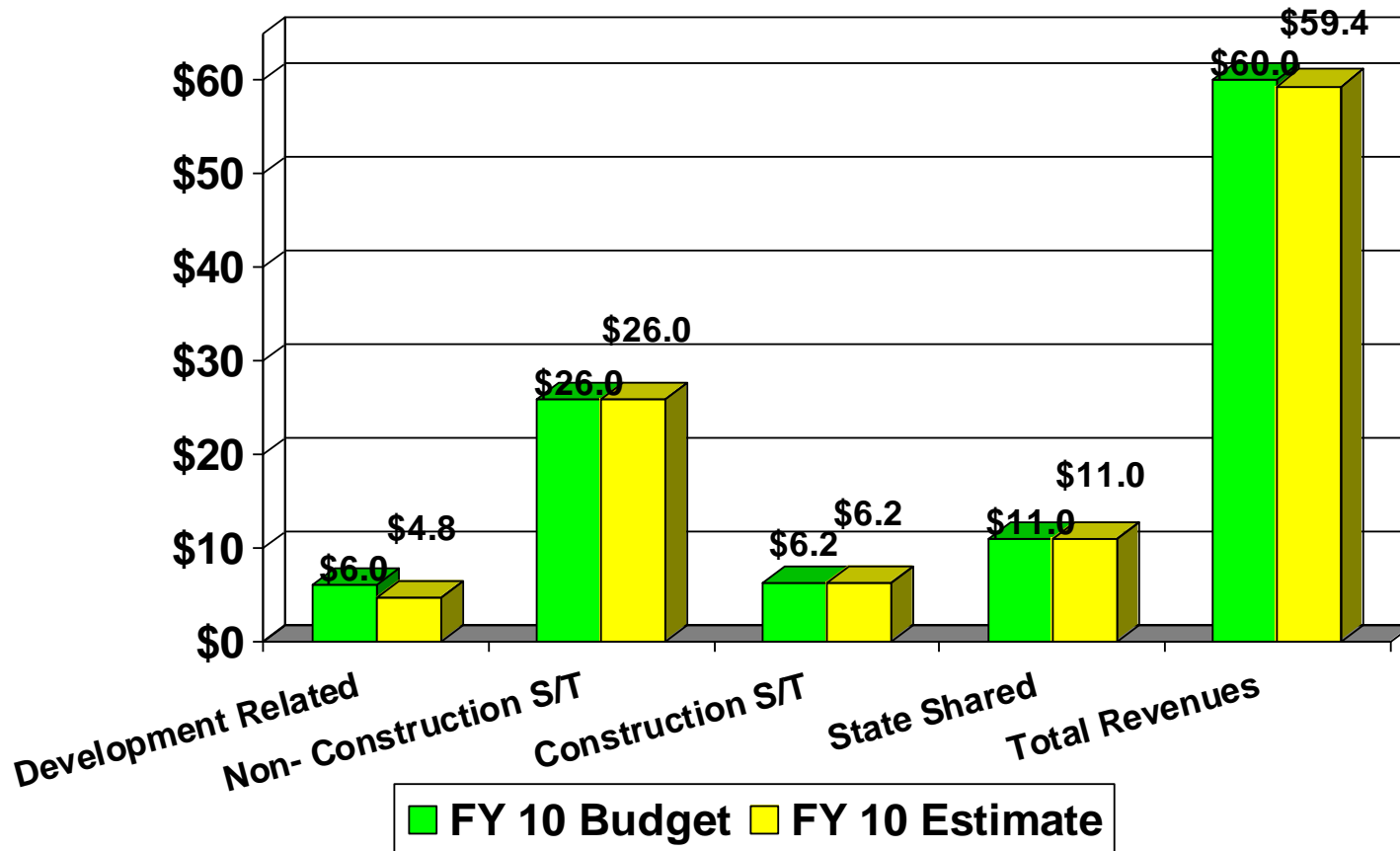


Total Permit & Plan Review



FY 10 General Fund Revenues

Variances from Budget Projections



FY 2009/2010 General Fund Analysis

Revenues and Expenditures



General Fund

FY 10 Projected

Total Revenue
& Other Sources

\$60m

\$ 7m

Total Revenue & Other Sources

\$67m

Total Expenses

\$65m

FY 10 Net Projected Savings

\$ 2m

Importance of Sales Tax Increase



- Forecast for 10/11
 - Deficit estimate \$8m
 - Tax generated in 09/10 \$3.2m
 - Tax forecasted to bring in 10/11 \$4.3m
without tax, deficit would be: \$15.5m

Structural Deficit FY 11



Operating Budget Deficit for FY 10-11 (Expenditures Exceed Revenues)	\$8.0 mil
<u>"Soft Landing"</u>	<u>\$ Amount</u>
Remaining PIC Proceeds to Pay Debt Service (one-time funds)	-\$2.0 mil
Est. Net Fund Balance Surplus Generated by Exp Reductions in FY 10 (one-time funds)	-\$2.0 mil
Enhanced Revenue Projections for FY 11 (sustainable)	-\$1.0 mil
<i>TOTAL ACTIONS TOWARD REDUCING DEFICIT</i>	<i>-\$5.0 mil</i>
REMAINING AMOUNT OF DEFICIT TO ADDRESS VIA EXPENDITURE REDUCTIONS*	\$3.0 mil

** Will factor in Management and Citizen Budget Committee recommendations.*

Where do we go from here?

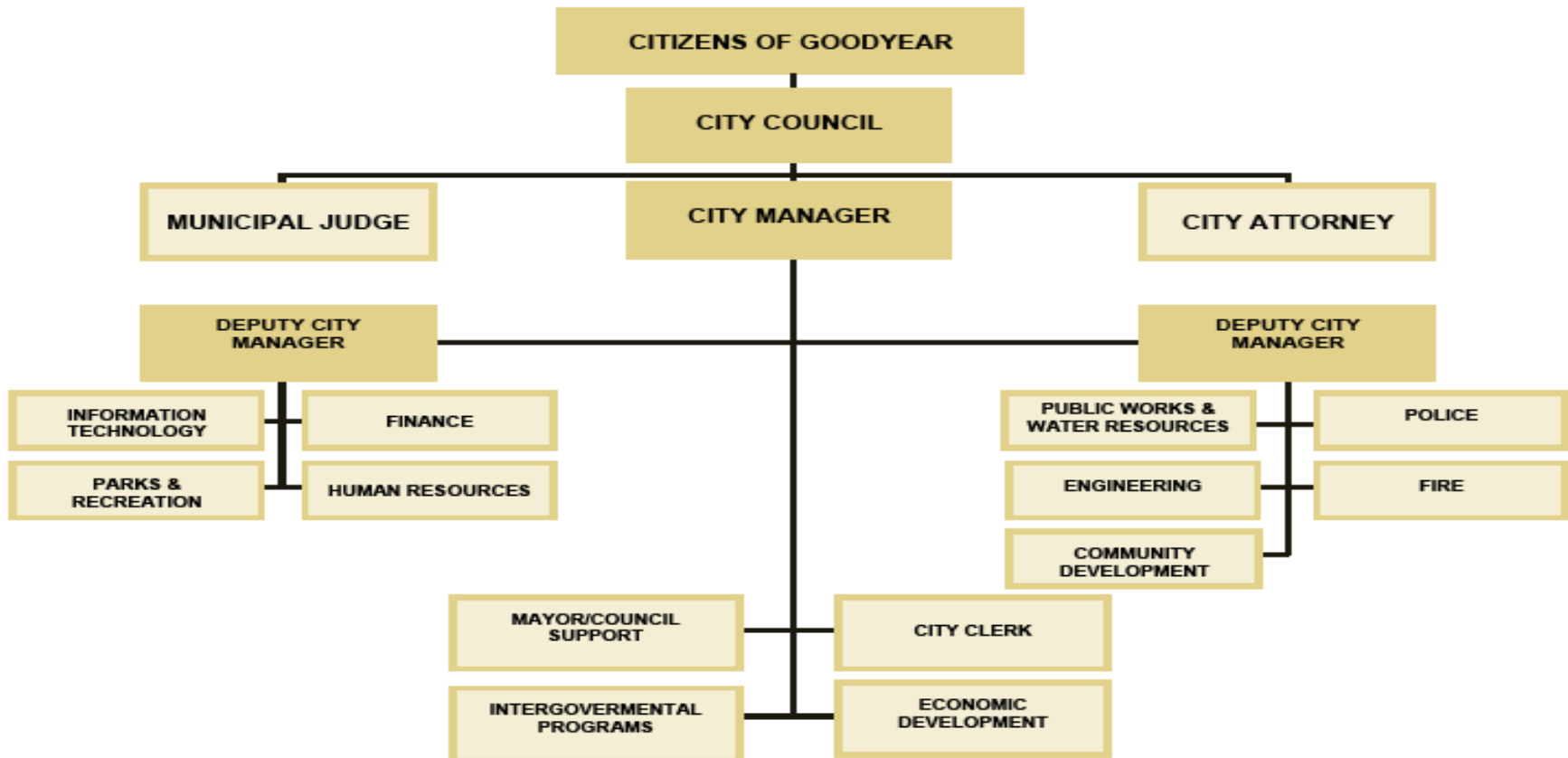


- Good news summary – managing budget for FY10
- Continue to monitor revenues and expenditures
- Review services and business processes
- Focus on core services
- Seek revenue enhancement opportunities
- Evaluate CBC recommendations

Organizational Chart



CITY OF GOODYEAR



Questions?

